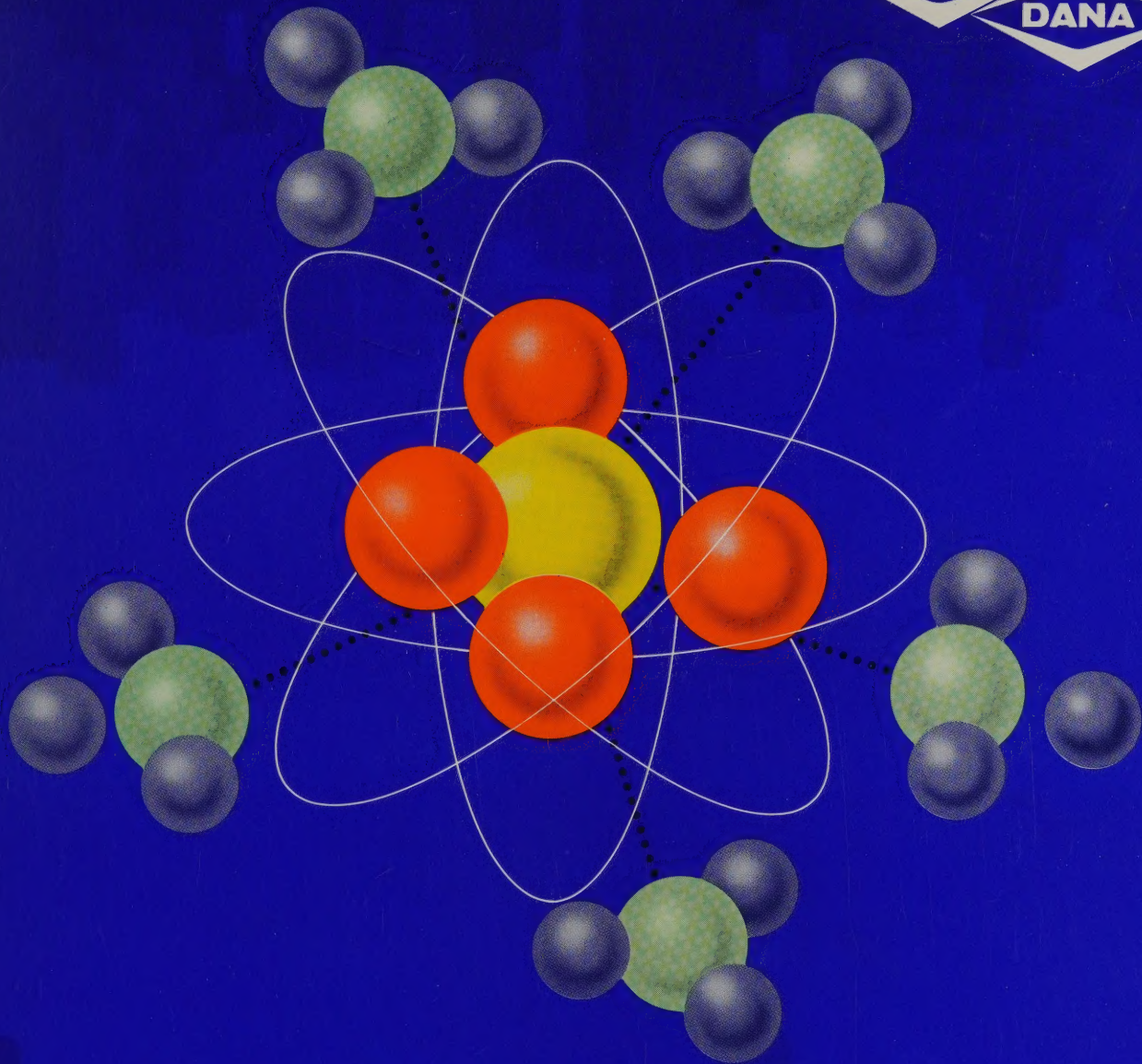


AR14



# Organized for the Seventies

ANNUAL REPORT FOR THE YEAR ENDED AUGUST 31st, 1971



## OUR COVER .....

..... is an artist's graphic impression of our company - organized today to face the challenge of the seventies.

It makes an interesting, eye-catching illustration . . . but . . . our organization is made up of PEOPLE.

In the pages that follow we show you our HAYES-DANA people at work - what they accomplished over the past year - and an indication of their plans and aspirations for the future.

# ANNUAL REPORT 1971

## RESULTS IN BRIEF

**1971****1970**

NET SALES	<b>51,305,000</b>	54,945,000
NET INCOME	<b>1,721,000</b>	1,350,000
SHAREHOLDERS' EQUITY	<b>23,297,000</b>	22,770,000
WORKING CAPITAL	<b>6,498,000</b>	6,592,000
NEW INVESTMENT IN PLANT AND EQUIPMENT	<b>1,878,000</b>	3,626,000
DEPRECIATION	<b>2,263,000</b>	1,984,000
NET INCOME PER SHARE	<b>.63</b>	.50
ANNUAL DIVIDEND RATE PER SHARE	<b>.44</b>	.44
EQUITY PER SHARE	<b>8.59</b>	8.39





**HAYES-DANA LIMITED**  
THOROLD, ONTARIO

## NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual and Special General Meeting of Shareholders of Hayes-Dana Limited will be held at the head office of the Company, Thorold, Ontario, on Wednesday, November 3, 1971, at 11:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

1. To receive and if deemed advisable, to approve the consolidated financial statements of the Company and its subsidiaries for the year ended August 31, 1971, together with the reports of the Directors and Auditors thereon;
2. To consider and if deemed advisable, to approve and confirm, with or without variation, the Company's Employees Stock Option Plan, a summary of which is contained in the accompanying information circular.
3. To elect Directors;
4. To appoint Auditors and to authorize the Directors to fix their remuneration; and

To transact such further business as may properly come before the meeting or any adjournment thereof.

By Order of the Board,

DATED at Thorold  
this 21st day of  
October, 1971.

W. S. Thompson,  
Secretary.

We ask that you promptly sign, date and return the enclosed proxy in the enclosed return envelope if it is not your intention to be present at the Meeting. If you are personally present at the Meeting and desire to do so you may withdraw your proxy and vote in person.

## INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of HAYES-DANA LIMITED (the "Company") of proxies to be used at the Annual and Special General Meeting of the Shareholders of the Company to be held at the Head Office of the Company, Thorold, Ontario, on November 3, 1971, at 11:00 o'clock in the forenoon (E.S.T.). The cost of such solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

### EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies solicited by management will be voted or withheld from voting with respect to matters referred to therein in accordance with the specifications made in the proxy and **in the absence of such specification, will be voted for the approval of the consolidated financial statements for the year ended August 31, 1971 and for the approval and confirmation of the Employees' Stock Option Plan.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations, if any, to matters identified in the notice of meeting and with respect to other matters which may come before the meeting. At the time of printing this circular the management of the Company knows of no such other matters to come before the meeting other than the matters referred to in the notice of meeting.

### VOTING SHARES

The Company has outstanding 2,712,965 shares without nominal or par value, each carrying the right to one vote per share. There is no other class of shares outstanding.

Dana Corporation owns beneficially 1,790,572 shares without nominal or par value of the Company representing approximately 66% of the outstanding shares of the Company.

### ELECTION OF DIRECTORS

The board consists of ten directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as director, but if that should occur for any reason prior to the meeting, **the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.** Each director elected will hold office until the next Annual Meeting or until his successor is elected under the Company's by-laws.



The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which each of the present directors first became a director of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them as of September 30, 1971. The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

<u>Name</u>	<u>Positions held in the Company</u>	<u>Principal occupation or employment</u>	<u>Became a Director</u>	<u>Shares Held</u>
H. B. Bartlett	Director	Vice-President, Dana Corporation; President, Parish Divisions of Dana Corporation	1969	1,100
H. J. Carmichael	Director and Member of the Executive Committee	Industrialist; Director, Massey-Ferguson Limited, Canada Permanent Trust Company and Argus Corporation Limited.	1952	10,000
A. G. Coulter	Director	Industrialist.	1965	650
W. M. Fairhurst	Director	Vice-President, Corporate Planning, Dana Corporation.	1968	18
J. E. Martin	Director and Member of the Executive Committee	Chairman, Dana Corporation.	1956	10,630
G. B. Mitchell	Chairman of the Board, Member of the Executive Committee	Executive Vice-President, Dana Corporation.	1963	5,810
S. T. Paton	Director	Executive Vice-President, Toronto-Dominion Bank.	1969	500
B. R. Reimer	Director and President	President, Hayes-Dana Limited	1969	6,096
J. D. Stevenson, Q.C.	Director	Partner of Messrs. Wahn, Mayer, Smith, Creber, Lyons, Torrance and Stevenson.	1963	800
D. G. Willmot	Director and Member of the Executive Committee	President, Molson Industries Limited.	1961	1,525

#### REMUNERATION OF DIRECTORS AND OFFICERS

1. The aggregate direct remuneration paid or payable by the Company during the Company's year ended August 31, 1971 to the directors and to the officers of the Company, was \$6,000 and \$198,000 respectively, and no amount was paid by other subsidiaries to such directors and officers.

2. The estimated aggregate cost to the Company and its subsidiaries, directly or indirectly, in the fiscal year ended August 31, 1971, of all pension benefits proposed to be paid under the Company's present plan to the directors and officers of the Company in the event of retirement at normal retirement age was \$12,883.

## EMPLOYEES' STOCK OPTION PLAN

On March 24, 1971, the board of directors of the Company established an Employees' Stock Option Plan (the "Plan") and reserved 50,000 shares without nominal or par value of the Company for the granting of options to key employees (including officers, whether or not directors) of the Company and its subsidiaries. The Plan will expire on March 31, 1981 or such earlier date as determined by the board of directors except with respect to options then outstanding.

The basic terms of the Plan are as follows:

1. Optionees are to be determined by the Salary and Bonus Committee of the Board of Directors.
2. No optionee shall be granted an option or options to purchase more than an aggregate of 7,500 shares.
3. The option price per share shall be the highest selling price of such shares on The Toronto Stock Exchange on the business day next preceding the day on which the option is granted or, in the event no shares were traded on that day, a price equal to the median between the bid and asked prices on that date.
4. The option period shall be five years from the date of grant and subject to special rules which apply on the termination of employment or death of an optionee, options may be exercised as to 30%, after 18 months, as to an additional 30%, after 36 months, and as to the remaining 40%, after 54 months.

The Plan was accepted by The Toronto Stock Exchange on April 22, 1971 and the 50,000 shares reserved for the purpose of the Plan were accepted for listing by The Toronto Stock Exchange on April 28, 1971.

Since the inception of the Plan, options have been granted under the Plan as follows:

<u>Optionee</u>	<u>No. of Shares</u>	<u>Option Price</u>	<u>Date of Grant</u>	<u>Expiry Date</u>	<u>Price Range during 30 day period preceding Grant</u>
Directors and Officers	15,000	\$11.00	May 12, 1971	May 12, 1976	10-1/4 - 11-7/8
All Others	15,000	\$11.00	May 12, 1971	May 12, 1976	10-1/4 - 11-7/8

The Plan provides that it shall be submitted to the shareholders of the Company at this meeting for approval and that the options heretofore granted under the terms of the Plan be granted subject to obtaining such approval. If such approval is not obtained, options heretofore granted shall become null and void.

Management of the Company believes that the Plan will aid in retaining and encouraging employees of exceptional ability due to the incentive inherent in share ownership and accordingly recommends that shareholders vote in favour of approval of the Plan.

## APPOINTMENT OF AUDITORS

The persons named in the accompanying proxy intend to vote for the reappointment of Price Waterhouse & Co., Chartered Accountants, as auditors of the Company and for the authorization of the directors to fix their remuneration.

Thorold, Ontario  
October 21, 1971.



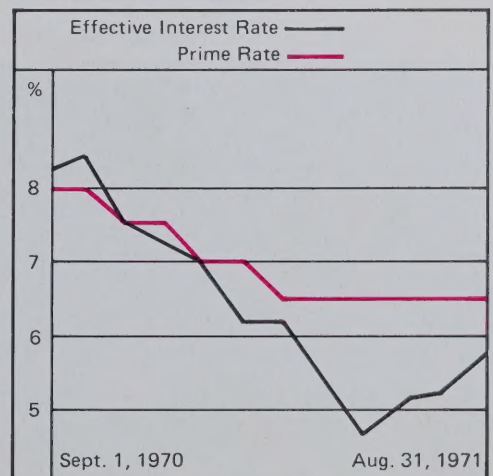
# LETTER TO SHAREHOLDERS

Sales for our 1971 fiscal year totalled \$51,305,000, seven per cent below the previous year. Net income for the period was \$1,721,000, or 63 cents per share, an increase of twenty-six per cent over the \$1,350,000, or 50 cents per share, reported in 1970. This significant improvement in earnings is dramatic in view of the problems we faced during the course of the year.

Looking back, in the first quarter we reported a significant drop in sales and a loss of 8 cents per share. We pointed out that the loss of sales was attributable to the lengthy strike against our largest customer and a fall-off in the demand for heavy-duty truck components. Our earnings were affected by this lower volume and by the adverse effect of the high exchange rate of the floating Canadian dollar.

At this point it was obvious that, if we were to meet our fiscal targets for the year, some immediate and drastic action was necessary. Our Operating Divisions embarked immediately on a Profit Protection Plan. Price increases were put into effect, where practical, to offset

cost increases in labour and material which we had incurred. Cost reduction programs were instituted which produced significant savings in material costs, improved the productivity of our equipment and the efficiency of our labour force. At the same time we increased the emphasis on Money Management. Improved collections and better control of inventories during the year minimized total borrowing, and overall interest costs were further reduced by a financing plan which resulted in a net interest rate considerably below the current prime rate.



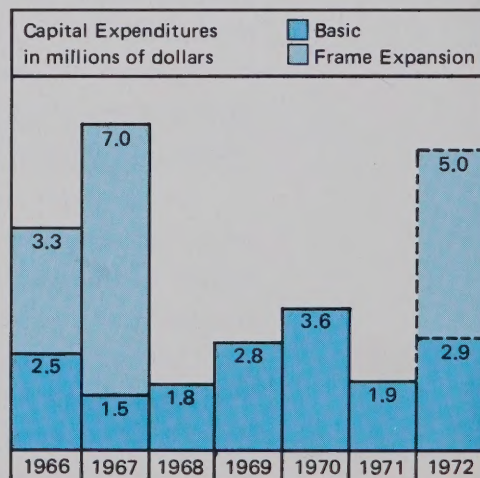
The results were very encouraging. At the mid-point of the year we were able to report net income of 12 cents per share, and by the end of nine months we had earned 43 cents per share. The effectiveness of our program was evident during this third quarter when our net income was more than double that of 1970, on a 10% increase in sales volume.

Our fourth quarter operations were interrupted by a one week strike which shut down our Drive Train and Frame Divisions. However, in the final settlement we were successful in retaining an effective incentive plan for our production employees, a feature that is vital to our competitive position within our industry.

This final quarter produced net income of 20 cents and brought the total for the year to 63 cents per share. Our cash flow amounted to \$1.49 per share. It is worthwhile to note that while our after-tax return on sales was only 3-1/3% for the year, the rate was 4.6% over the last nine months when we operated at a normal level.

### Facilities Expansion:

During the year we spent \$1,878,000 to modernize our production facilities and to provide the capacity necessary to compete effectively in the North American market. The major additions were in the Frame Division where we added five new presses to balance our capacity and improve our efficiency and in the Drive Train Division Heavy-Duty Universal Joint area where we added capacity to enable us to meet our increasing commitments in the very important heavy truck market.





### Outlook:

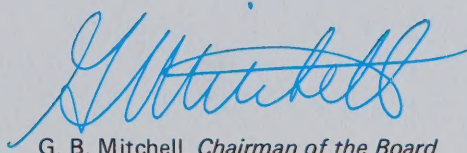
During our 1972 fiscal year our operations will be affected by the recent moves by the United States to correct their trade imbalance and bolster their internal economy. However, within the Dana Group, we have established a philosophy, a North American concept, which recognizes Hayes-Dana as a full partner competing alongside the Dana divisions in the total North American automotive market. We believe this places us in an excellent position to benefit from the anticipated improvements generated by the American actions in our industry as a whole.

Of major concern to us, however, is the ever increasing share of our own domestic market being taken by imported vehicles for which our Canadian parts manufacturers supply practically nothing. Surely, if this situation continues and with unemployment in our country at a seriously high rate, some effective measures will have to be taken to make our North American vehicles more competitive or to gain entry for our manufactured goods to these foreign markets.

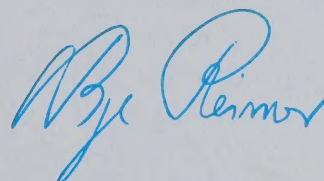
We have demonstrated our ability and determination to face problems such as these as they arise. With our flexible and aggressive approach to profit protection we look for a further improvement in earnings in the coming year.

We recognize the contribution that all our people made to our progress and achievements of this past year. We thank our customers, our suppliers and our shareholders for their continued support.

Respectfully submitted  
On behalf of the Board of Directors



G. B. Mitchell, *Chairman of the Board*

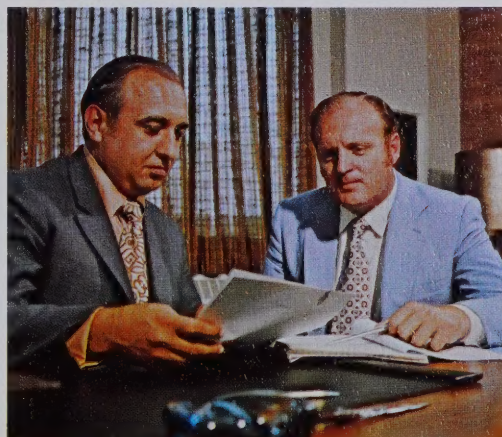


Borge Reimer, *President*

October 21, 1971

*Borge Reimer*

*G.B. Mitchell*





## **OUR ORGANIZATION-Meeting the Challenge of the '70's**

During the past year we continued our program to streamline and improve the efficiency of our corporate structure and our management team. At the same time we have crystallized our relationship with our parent, DANA Corporation, and our position as a full partner within the DANA Group. Under our "North American Concept" we compete alongside the DANA Divisions in the total market. We believe the results of our operations are a measure of the effectiveness of these actions.

Our five autonomous divisions function smoothly under the guidance of a four-man team. Headed by the president - this Operating Group - specialists with broad experience in our company and our industry - offers counsel when and where required and co-ordinates the overall activity of the company.

The Corporate team devotes a considerable share of its time on three important functions - establishing overall CORPORATE GOALS AND OBJECTIVES - CORPORATE DEVELOPMENT, planning for our future and MANAGEMENT DEVELOPMENT.

But responsibility in these last two areas also extends into the divisions. And each Division is expected to establish its own individual targets and develop plans to meet these goals - both short and long term - in concert with the corporate objectives.

Under its manager, each Division is further broken down, within practical limits, into sections - profit centres. Each of these sections is fully responsible for all phases of its operation - manufacturing, engineering, sales, accounting, etc. Decision-making has been moved as close as possible to the scene of the action.

We recognize our commitment to our people to provide opportunity and security in a competitive business environment where rapid change is demanding new knowledge - flexibility - aggressiveness - and dedication. We offer programs to train - to motivate - and to upgrade our people at all levels. This is the most important investment we make in the future of HAYES-DANA.



*L to r: Borge Reimer, J.J.Murray, W.S.Thompson, H.E.Langford*







## OUR DRIVE TRAIN DIVISION – The keystone of our Company.

The most senior of the HAYES-DANA Divisions has undergone a complete change since the advent of the Canada-U.S. Auto Trade Agreement. Over the past several years, with a massive infusion of capital, we have accomplished a major rearrangement of our plant, installed modern equipment, and introduced the latest technologies. Today, the operation which once produced a wide range of automotive parts in low volume for the Canadian market concentrates its efforts on high-volume production of our proprietary products.

Under "Free Trade", rationalization of manufacturing facilities and product lines was recognized as the only way to ensure the competitive position of the DANA products in the North American marketplace. Our DRIVE TRAIN Division quickly established its potential as an efficient producer of Universal Joints and Propeller Shafts. Today this facility operates as an equal partner with the DANA plants supplying quality SPICER products in volume to all the vehicle manufacturers. The Forge Plant demonstrated its ability to compete with

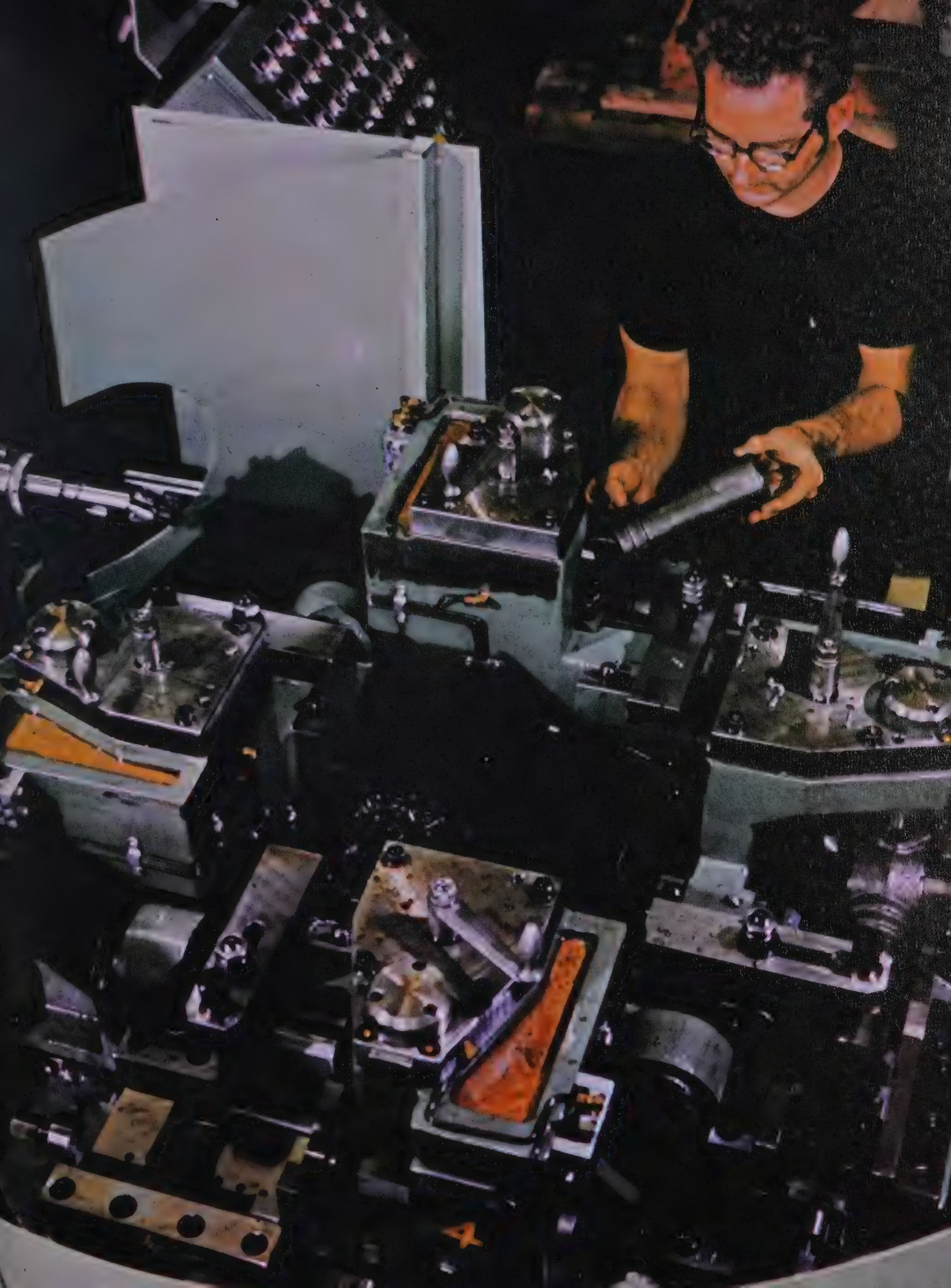
suppliers on both sides of the border and, now working at full capacity, exports almost one-half of its output. In the Axle Shaft area, our modern facility has established "PARENTAGE" for this product within the DANA family and exports the major part of its output to the United States, Mexico, Latin America and Sweden.

Our AGMASTER line of products - power-take-off shafts, gear boxes and slip clutches enjoys wide acceptance throughout the industry. Today we number among our customers all the continent's major farm equipment manufacturers. Development work is continuing to broaden our product range and expand our markets on a world-wide basis.

We recognize future success is dependent on continued monitoring of our operations. New manufacturing methods are being studied continually in order that we remain competitive, particularly in the Heavy-Duty Truck component field where we now concentrate our efforts. It is in this market we expect to reap the greatest rewards but face the keenest competition.

*Dave Rowdon loads the first station of a horizontal gun-drilling machine which will make a 2-1/2 inch hole through this heavy duty sleeve yoke, a vital component of the drive line for a ten ton truck. This machine setup is typical of the sophistication necessary today to produce quality parts in a competitive market to meet the demanding schedules of our customers.*







L to r: Bob Makins, Allan Bowes, Bill Boot, Ralph Davies



### OUR FRAME DIVISION - Growth through Productivity

Our newest and most rapidly expanding Division produces perimeter-type frames for intermediate model passenger cars. When it started production in 1966 it had a nominal annual capacity of 250,000 frames. Since that time, with a minor addition to manufacturing facilities, annual production has approached 400,000 frames.

We recently announced a further expansion requiring a capital outlay of only \$5,000,000 which will increase our capacity to 750,000 frames annually, and will afford us optimum use of our equipment and maximum efficiency. This expanded facility will be in production for the 1973 model year.

With an all-out effort to increase productivity through the use of automation and more efficient labour-saving equipment, the division has established itself as a competitive manufacturer of passenger car frames.

Frame manufacturing is a capital intensive industry and full utilization of assets is of utmost importance. A continuing research and development program particularly in the field of automation and the industrial application of fluidics, is being pursued to maintain our competitive position.

Public opinion, backed by legislation, is demanding continual improvement in the design, safety and reliability of all vehicles. Structural members including perimeter frames, stub frames, and cross-members, etc., will make a very important contribution particularly in the area of safety. This will ensure an increasing demand for our products. Within the DANA group we have the most advanced research facility of its kind in the industry, including the most sophisticated test equipment of our own design. We are working steadily in co-operation with our customers to develop new and better products for the future.

*Bob Hind checks a forming die which will produce precision parts required for welding in the FRAME Division's high speed assembly lines. In our continuing program to maximize equipment utilization and increase productivity through automation, some of the new sophisticated dies on our drawing boards will weigh more than 15 tons.*







L to r: George Hough, Bill Melville, Jim McGill



#### OUR PERFECT CIRCLE-VICTOR DIVISION - Respected names in the automotive industry

In St. Thomas, Ontario, our PERFECT CIRCLE-VICTOR Division manufactures products under two of the most well-known brand names in our industry. Precision-machined to the finest tolerances, PERFECT CIRCLE Piston Rings are used wherever high performance and dependability are required of internal combustion engines. VICTOR gaskets, available in a wide range of materials and combinations, solve the most demanding sealing problems wherever they occur.

Here again, the division is co-operating with its sister divisions in DANA to establish the competitive position of our products in the North

American market place. At the same time, our people are working together aggressively, to continuously improve costs and maintain this position.

The Aftermarket is a very important factor in the ring and gasket field. With catalogues listing applications of more than 15,000 part numbers, the problem of adequate coverage across the Canadian market is a major one. PERFECT CIRCLE-VICTOR has earned a reputation for prompt service in every province from coast-to-coast.

With an eye to the rapidly expanding recreational field, a complete line of gaskets is now being offered to service the booming snowmobile market.

*Barbara Haskell reads her micrometer carefully to tolerances of tenths of thousandths as she makes the precise dimensional checks that ensure the PERFECT CIRCLE quality. Inspection standards on both rings and gaskets are essential where products must meet the critical demands of our modern high-performance engines.*





*L to r: Bob Mossberger, Peter Nolan, Ed. Shultz*



#### **OUR NASCO DIVISION - Quality remanufactured products for the Aftermarket**

NASCO Division remanufactures clutches, electrical components and water pumps and distributes them from coast-to-coast. Operating in a very complex industry - in a very competitive market, NASCO'S success lies in its ability to restore defective units to their original quality standards.

Effective distribution of service parts in this broad Canadian market presents a real challenge. NASCO has earned a reputation for service and availability second to none.

This particular segment of our industry is suffering to a considerable extent from over-capacity and severe price competition. To offset these problems, NASCO has developed new and expanding markets in the recreational area with products for marine engines and snowmobiles.

For the longer term, they are exploring opportunities in export markets to supply products for heavy-duty vehicles and off-highway equipment.

*Elena Greco making the final adjustments on a Voltage Regulator. Careful attention to details in assembly and testing ensure the high quality on which NASCO has built its reputation.*





*L to r: Bill Chassar, Harry Kerr, Clayton Orpwood*



#### **OUR SPECIAL SERVICES DIVISION - Providing "custom" service to the vehicle manufacturers**

SPECIAL SERVICES - our smallest Division - operates two facilities - KERR INDUSTRIES in Oshawa and CANADIAN TRACTION in Oakville, strategically located adjacent to Canada's two largest automotive assembly plants. They perform pre-delivery inspection of passenger cars and trucks and install special items on vehicles that cannot be handled efficiently on the assembly line. They also assemble multiple-vehicle drive-away units for economical delivery anywhere across Canada.

Recognizing its dependence on the vehicle build mix and the inspection requirements of its major customers, the division is currently seeking to expand its functions into new fields. Over the years both operating units have built up an excellent reputation for service and dependability with the major fleets and vehicle distribution centres. Future plans include a further exploitation of this market in co-operation with the HAYES-DANA Aftermarket Group.

*Zigmundt Niziol lowers a huge fifth-wheel into position for installation on a tractor - "custom-ordered" by a major highway transport fleet. SPECIAL SERVICES offers a wide range of optional equipment - exactly what is needed to do the job demanded by truckers and heavy equipment operators across Canada.*







## OUR AFTERMARKET GROUP - getting our service parts to market

Three of our operating Divisions - DRIVE TRAIN, PERFECT CIRCLE-VICTOR and NASCO - offer their own and some compatible products to that very important sector of our industry - the Service Parts AFTERMARKET. Each one is independently responsible for the production and marketing of its own products.

As a group, however, they pool their knowledge of the markets and their distribution facilities and co-ordinate their marketing efforts, where practical, to minimize costs and maximize sales.

They have established and communicated to their customers clear-cut basic policies under which all their products are sold and distributed to all levels in the marketplace.

We recognize the prime importance of service and availability of our products to our customers. In today's business climate, industry cannot absorb the escalating costs of idle vehicles and equipment.

Our distribution group is giving top priority to this problem, exploring ways to shorten supply lines and speed delivery of our quality products to the end user.



## BEYOND TOMORROW- Our plans for the future

At HAYES-DANA we have planned in detail for the year ahead . . . . but always with our eyes further down the road.

On the foregoing pages, we have described briefly the plans of our operating divisions to rationalize and expand their present product lines and markets. By 1973, when our expanded Frame Plant will be in full production, our total sales should be within easy reach of our target of \$100,000,000 by the middle of the decade.

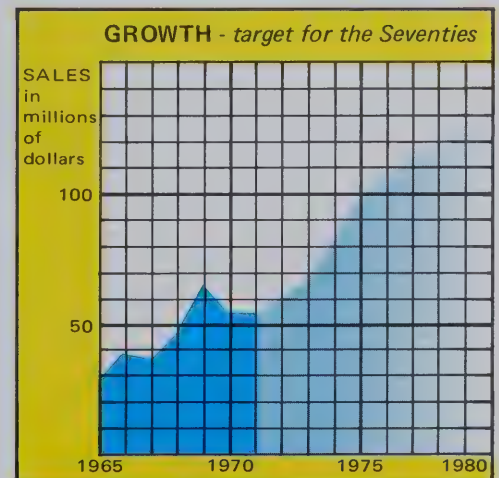
But we recognize the necessity to strengthen our company and to broaden its scope if we are to be successful in tomorrow's super-competitive business environment.

We are continuously seeking new and exciting products. Our ambitious government-supported research and development project has produced a fluidic-controlled ROBOT which will make its public debut this month and will go into limited production in 1972.

In spite of current controversies - the future of the auto trade agreement - the continuing upward pressure on the already high exchange rate of the Canadian dollar - and the possible effects of the recent actions taken or proposed by the United States Government - we face the future with confidence. We are looking for growth in many directions. HAYES-DANA is growing faster than the automotive industry and particularly in the Canadian market. To maintain this growth rate, an acquisition program, broad in scope, and without geographical restriction, is being actively pursued.



*Hans Schafer performs some delicate surgery on the fluidic brain of HAYES-DANA'S new industrial robot.*





## CONSOLIDATED BALANCE SHEET

ASSETS	AUGUST 31 1971	AUGUST 31 1970
<b>CURRENT ASSETS:</b>		
Cash	\$ 136,000	\$ 164,000
Accounts receivable, less allowance for doubtful accounts	4,724,000	5,416,000
Inventories, at lower of cost and net realizable value	14,918,000	15,262,000
Prepaid expenses	125,000	164,000
	<b>19,903,000</b>	<b>21,006,000</b>
<b>FIXED ASSETS, at cost:</b>		
Land	524,000	524,000
Buildings	8,120,000	8,085,000
Machinery and equipment	25,583,000	24,129,000
	<b>34,227,000</b>	<b>32,738,000</b>
Less - Accumulated depreciation	13,473,000	11,539,000
	<b>20,754,000</b>	<b>21,199,000</b>
<b>OTHER ASSETS:</b>		
Investment in and advances to 50% owned company, at equity	207,000	143,000
Other investments, at cost	283,000	283,000
Unamortized deferred expenses	60,000	58,000
	<b>550,000</b>	<b>484,000</b>
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
G. B. MITCHELL, Director		
BORGE REIMER, Director		
	<b>\$41,207,000</b>	<b>\$42,689,000</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	AUGUST 31 1971	AUGUST 31 1970
<b>CURRENT LIABILITIES:</b>		
Bank advances	\$ 6,203,000	\$ 7,237,000
Accounts payable and accrued liabilities	5,500,000	4,450,000
Due to Dana Corporation	299,000	(129,000)
Income taxes payable	105,000	1,558,000
Current portion of long-term debt	1,000,000	1,000,000
Dividend payable	298,000	298,000
	<b>13,405,000</b>	14,414,000
<b>LONG-TERM DEBT:</b>		
6% secured debenture repayable in semi-annual instalments of \$500,000	—	1,000,000
<b>DEFERRED INCOME TAXES</b>	<b>4,505,000</b>	4,505,000
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock without nominal or par value—		
Authorized: 4,000,000 shares		
Issued 2,712,965 shares	8,979,000	8,979,000
Retained earnings	14,318,000	13,791,000
	<b>23,297,000</b>	22,770,000
	<b>\$41,207,000</b>	\$42,689,000



**HAYES-DANA LIMITED**

AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF INCOME  
AND RETAINED EARNINGS**

	YEAR ENDED AUGUST 31 1971	YEAR ENDED AUGUST 31 1970
Sales	<b>\$51,305,000</b>	\$54,945,000
Dividends, interest and other income (net)	<b>136,000</b>	137,000
	<b>51,441,000</b>	55,082,000
Costs and expenses (including depreciation of \$2,263,000 in 1971 and \$1,984,000 in 1970):		
Cost of sales	<b>44,851,000</b>	48,340,000
Selling, general and administrative expenses	<b>2,694,000</b>	2,830,000
Interest on long-term debt	<b>92,000</b>	153,000
Bank interest	<b>429,000</b>	484,000
	<b>48,066,000</b>	51,807,000
Income before income taxes	<b>3,375,000</b>	3,275,000
Income taxes	<b>1,654,000</b>	1,925,000
Net income for the year	<b>1,721,000</b>	1,350,000
Dividends declared	<b>1,194,000</b>	1,194,000
Earnings retained in business	<b>527,000</b>	156,000
Retained earnings:		
Beginning of year	<b>13,791,000</b>	13,635,000
End of year	<b>\$14,318,000</b>	\$13,791,000
Net income per share	<b>63¢</b>	50¢
Dividends paid per share	<b>44¢</b>	44¢



**HAYES-DANA LIMITED**

AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF  
SOURCE AND USE OF FUNDS**

	YEAR ENDED AUGUST 31 1971	YEAR ENDED AUGUST 31 1970
Source of funds:		
Net income	<b>\$1,721,000</b>	\$1,350,000
Charges not requiring current funds:		
Amortization of deferred expenses	<b>58,000</b>	337,000
Depreciation	<b>2,263,000</b>	1,984,000
Deferred income taxes	<b>—</b>	321,000
Funds from operations	<b>4,042,000</b>	3,992,000
Use of funds:		
Additions to plant and equipment (net)	<b>1,818,000</b>	3,588,000
Dividends	<b>1,194,000</b>	1,194,000
Increase in other assets, before amortization of deferred expenses	<b>124,000</b>	101,000
Reduction of long-term debt	<b>1,000,000</b>	1,000,000
	<b>4,136,000</b>	5,883,000
Decrease in working capital	<b>94,000</b>	1,891,000
Working capital at beginning of year	<b>6,592,000</b>	8,483,000
Working capital at end of year	<b>\$6,498,000</b>	\$6,592,000



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 1971**

**1. Principles of Consolidation:**

The consolidated financial statements include the accounts of Hayes-Dana Limited and its subsidiary companies, all of which are wholly-owned.

**2. Remuneration of Directors and Officers:**

The company and its subsidiaries paid \$6,000 to ten directors and \$198,000 to six officers, two of whom are directors.

**3. Pension Plans:**

Pension plan expenses for the year amounted to \$830,000 (1970 - \$875,000). There is an unfunded past service liability estimated at \$4,200,000 which is being amortized over not more than twenty years.

**4. Capital Program:**

The company has embarked on a capital program estimated to cost \$8,000,000 of which \$5,000,000 relates to the expansion of the automotive frame plant. Long term financing has been arranged for the total capital cost of the program.

**5. Stock Options:**

Subject to shareholder approval, an Employees' Stock Option Plan has been approved by the directors of the company which provides for options to be granted to key employees to purchase up to 50,000 shares of the company's capital stock at a price equal to market value of the shares at the date granted. During the year options were granted on 30,000 shares at a price of \$11.00 of which 15,000 were granted to directors and officers. Options may be granted under the plan at any time prior to March 24, 1981.

**AUDITORS' REPORT**

**To the Shareholders of Hayes-Dana Limited:**

We have examined the consolidated balance sheet of Hayes-Dana Limited and its subsidiaries as at August 31, 1971 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton,  
September 29, 1971

Price Waterhouse & Co.  
Chartered Accountants

## STATISTICAL REVIEW

For the Fiscal Years	1971	1970	1965	1960
<b>OPERATING RESULTS</b>				
SALES	<b>\$51,305,000</b>	\$54,945,000	\$32,026,000	\$13,276,000
INCOME BEFORE TAXES	<b>3,375,000</b>	3,275,000	2,912,000	338,000
Income Taxes	<b>1,654,000</b>	1,925,000	1,394,000	37,000
NET INCOME	<b>1,721,000</b>	1,350,000	1,518,000	301,000
NET INCOME PER SHARE	<b>63 cents</b>	50 cents	69 cents	18 cents
Dividends Paid	<b>1,194,000</b>	1,194,000	534,000	210,000
Dividends per Share	<b>44 cents</b>	44 cents	30 cents	12-1/2 cents
Net Income for the year retained for growth	<b>527,000</b>	156,000	984,000	91,000
Net Income per share for the year retained for growth	<b>19 cents</b>	6 cents	39 cents	5-1/2 cents
<b>YEAR-END FINANCIAL POSITION</b>				
Current Assets	<b>19,903,000</b>	21,006,000	14,025,000	6,218,000
Current Liabilities	<b>13,405,000</b>	14,414,000	4,121,000	692,000
Net Working Capital	<b>6,498,000</b>	6,592,000	9,904,000	5,526,000
Ratio of Current Assets to Current Liabilities	<b>1.5:1</b>	1.5:1	3.4:1	9.0:1
Property, Plant & Equipment at Cost	<b>34,227,000</b>	32,738,000	11,420,000	8,082,000
Property, Plant & Equipment, Less Accumulated Depreciation	<b>20,754,000</b>	21,199,000	5,371,000	2,611,000
Total Assets	<b>41,207,000</b>	42,689,000	20,084,000	8,997,000
Long-Term Debt	<b>—</b>	1,000,000	—	—
Total Shareholders' Equity	<b>23,297,000</b>	22,770,000	14,995,000	8,050,000
Shareholders' Equity per Share	<b>8.59</b>	8.39	6.88	4.79



# HAYES-DANA LIMITED

## DIRECTORS

H. B. BARTLETT - *Reading, Penna.*

*Vice-President - Dana Corporation and  
President - Parish Divisions, Dana Corporation*

H. J. CARMICHAEL - *Toronto, Ontario*  
*Industrialist*

A. G. COULTER - *Oshawa, Ontario*  
*Industrialist*

W. M. FAIRHURST - *Toledo, Ohio*  
*Vice-President - Corporate Planning - Dana Corporation*

J. E. MARTIN - *Toledo, Ohio*  
*Chairman of the Board - Dana Corporation*

G. B. MITCHELL - *Toledo, Ohio*  
*Executive Vice President - Dana Corporation*

S. T. PATON - *Toronto, Ontario*  
*Executive Vice-President - Toronto-Dominion Bank*

B. R. REIMER - *St. Catharines, Ontario*  
*President - Hayes-Dana Limited*

J. D. STEVENSON, Q.C. - *Toronto, Ontario*  
*Partner - Wahn, Mayer, Smith, Creber, Lyons,  
Torrance & Stevenson*

D. G. WILLMOT - *Toronto, Ontario*  
*President - Molson Industries Limited*

## OFFICERS

G. B. MITCHELL  
*Chairman of the Board*

B. R. REIMER  
*President*

W. S. THOMPSON  
*Vice-President - Administration, and Secretary*

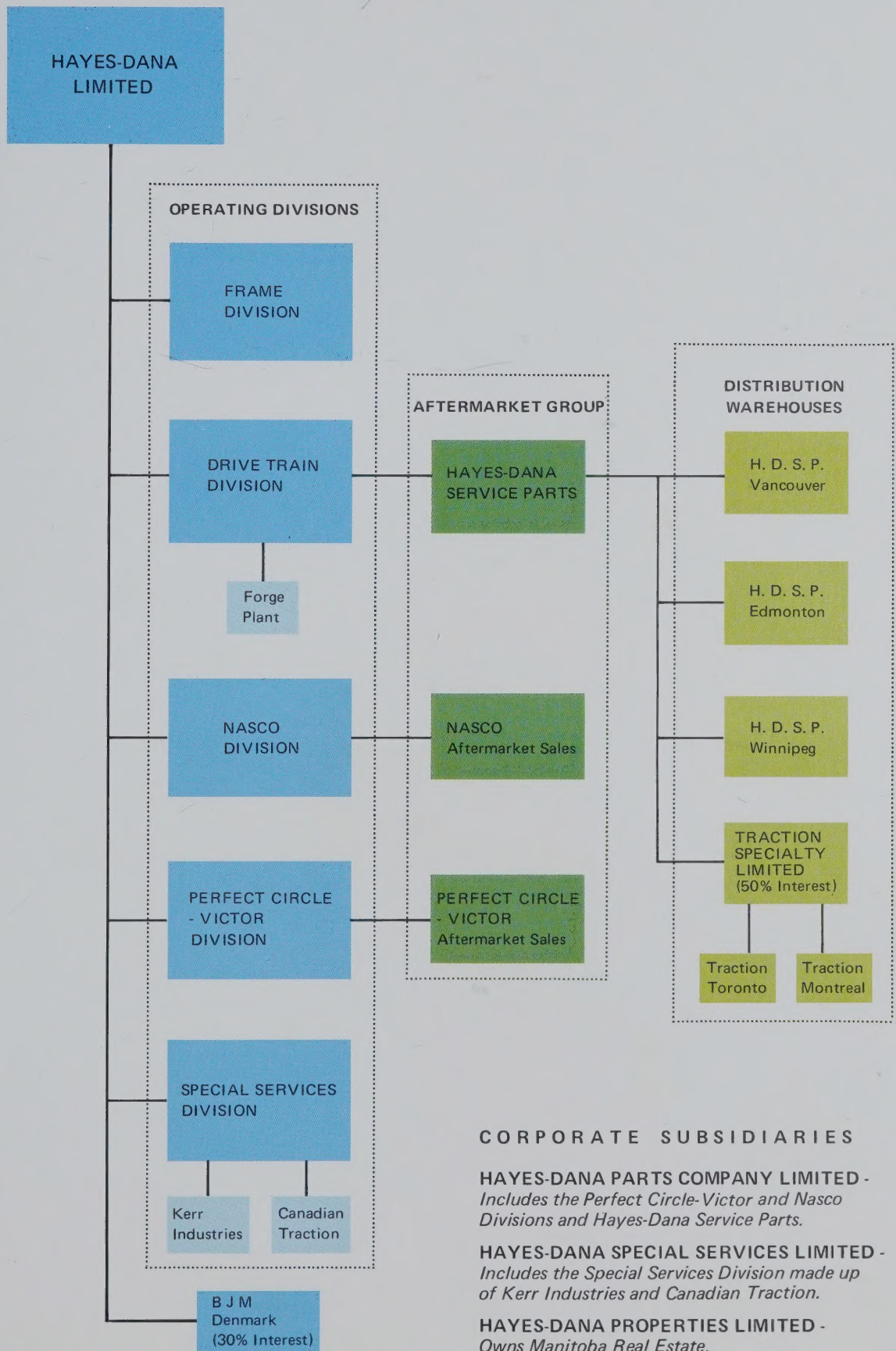
J. J. MURRAY  
*Vice-President - Finance, and Treasurer*

H. E. LANGFORD  
*Vice-President - Drive Train Division*

L. H. DENSMORE  
*Controller & Assistant Secretary-Treasurer*

MISS M. MOSS  
*Assistant Secretary*

# CORPORATE ORGANIZATION







**HAYES-DANA LIMITED**  
THOROLD, ONTARIO

**DRIVE TRAIN DIVISION**  
ST. CATHARINES – THOROLD

- Universal joints and complete drive shaft assemblies, axle shafts, clutches, industrial drive shafts.
- Agricultural PTO shafts, gear boxes and slip clutches.
- Universal joint, propeller shaft and axle components.

**FRAME DIVISION**  
THOROLD

- Automotive frames, structural components.

**PERFECT CIRCLE/VICTOR DIVISION**  
ST. THOMAS

- Piston rings, gaskets, oil seals, packings.

**NASCO DIVISION**  
STONE CREEK

- Remanufactured alternators, generators, starters, voltage regulators, solenoid switches, starter drives, water pumps, fuel pumps, clutches.

**SPECIAL SERVICES DIVISION**  
OSHAWA – OAKVILLE

- Motor vehicle preparation and installation of special custom equipment for O.E.M. manufacturers, etc.